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UNIDO COUNTRY DIRECTOR PROGRAMME

Report by the Director-General

Summary

Reports on the follow-up to Programme and Budget Committee conclusion 93/9 and Industrial Development Board decision IDB.11/Dec.29.

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Introduction

1. In its conclusion 93/9 on the UNIDO Country Director (UCD) programme, the Programme and Budget Committee at its ninth session requested the Director-General to continue negotiations with the United Nations Development Programme (UNDP) on the most appropriate financing arrangements for the UCD programme and invited the UNDP Governing Council at its forty-first session (1994) to continue the financial support to the programme, bearing in mind the desire to increase or at least to maintain the present number of UCD posts for the fifth programming cycle. The Committee also requested the Director-General to prepare proposals for a programme framework for field representation as a basis for negotiating extra-budgetary financing in the light of the outcome of current discussions in the United Nations General Assembly, including possible redeployment of headquarters staff to the field to maintain the current level of UCDs. Furthermore the Committee requested the Director-General to present detailed information on the UCD model office which has its local costs financed from the UNDP indicative planning figure (IPF) of the host country.

2. The Industrial Development Board at its eleventh session adopted decision IDB.11/Dec.29 on the UCD programme in which it inter alia endorsed the above conclusion and requested the Director-General to report to the Board on the implementation of its decision and the Programme and Budget Committee conclusion. The present document is submitted to the Programme and Budget Committee and the Industrial Development Board in accordance with that request.

I. FINANCIAL SITUATION OF THE PROGRAMME

3. Despite the financial constraints and because of the importance of the UCD programme, UNIDO managed to maintain in 1993 the level of 39 field offices for the programme through a combination of sources of funds (cf. IDB.12/2-PBC.10/2, chap. III, table 2). That combination includes the utilization of four regional adviser posts for the UCD programme. Only 30 of the 39 field offices have been headed by UCDs, mainly owing to lack of resources.

4. The financial situation of the UCD programme has seen a slight improvement in 1994, thereby permitting UNIDO to consider the expansion of the network by one more office. The improved financial situation is due to:

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(a) The inclusion in the 1994-1995 regular budget of full funding for six field offices and partial funding for a further two offices;

(b) A carry forward from 1993 of unutilized funds ($0.6 million) from UNDP sectoral support, which has been added to the agreed allocation of $2.9 million for 1994 (see para. 9 below);

(c) The proposed financing of 10 field offices from the operational budget despite the decline in income from their funding source;

(d) The continued financing of one field office from the IPF funds of the host country.

5. The number of offices, the sources of financing and estimated costs foreseen for 1994 are shown in table 1 below.

6. Out of 40 field offices, 30 were headed by UCDs as of 31 March 1994. While some of the vacant posts will be filled in the near future, others will remain vacant until additional resources are secured. The redeployment of headquarters staff as UCDs is being considered to fill some of the vacant posts. In five countries, negotiations are taking place to fill the UCD posts with national directors. The current distribution of the UCD offices by region and source of funds is shown in table 2 below.

7. In the future, a much stronger field representation will be needed to assist the Organization in identifying, formulating, delivering and monitoring a wide range of services to the increasingly diversified clients in developing countries. Concurrently, financial constraints will continue to seriously affect the Organization in meeting the new challenges and the increasing demand from developing countries for qualified UCDs. The financial crisis under the operational budget resulting from declining support cost income makes the prospects of additional financing under this source of funds unlikely in the near future. Despite the call made to Member States by the Programme and Budget Committee in its conclusion 93/9, paragraph (l), and UNIDO follow-up efforts in that respect, the response of the host Governments to the request for financing the local support costs of the UCD offices in their respective countries has so far

Table 1

The UCD programme in 1994

Source of finance	Number of offices		Estimated net cost (In millions of US$)
	Full funding	Partial funding	
UNIDO regular budget	6	2	1.8
UNIDO operational budget	10	-	2.8
UNDP sectoral support	14	7	3.5
Indicative planning figure	1	-	0.2
TOTAL	31	9	8.3

Table 2

Distribution of UCD offices in 1994
(by region and source of funds)

Region	UNDP sectoral support	Regular budget	Operational budget	Indicative planning figure	Total
Africa	6	5	4	-	15 a/
Arab States	2	-	1	-	3 b/
Asia and the Pacific	6	1	2	-	9
Latin America and the Caribbean	6	2	3	-	11
Europe and NIS	1	-	-	1	2
TOTAL	21	8	10	1	40

a/ Excluding two African Arab States.

b/ Including two African Arab States.

remained rather limited. Only seven countries are actually paying part of the total costs of their respective UCD offices. Although, as mentioned in paragraph 23 of document IDB.11/7-PBC.9/9, some Governments were considering the financing of additional UCD posts, no new voluntary contributions were received in 1993 and 1994. Therefore, the achievement of the proposed target of 50 UCDs, as confirmed by the Industrial Development Board at its eleventh session, or even the maintenance of the current number of field posts would only be possible if UNIDO could identify and receive additional and alternative sources of financing, including the continuation of the UNDP funding.

8. While facing serious financing constraints, UNIDO makes every effort to maintain continuity in the services requested from the field offices. In line with the overall efforts in the United Nations system to decentralize operational activities to the field, serious consideration should be given to the possibility of the permanent transfer of posts from headquarters to the field in addition to the temporary redeployment of headquarters staff as well as to the appointment of national directors, wherever possible. Those measures would be in line with Committee conclusion 93/9, paragraph (i) and Board decision IDB.11/Dec.29, paragraph (c) on the redeployment of headquarters staff as UCDs as well as United Nations General Assembly resolution 47/199, paragraph 26, that calls for the fullest utilization of available national expertise. The appointment of national directors would bring the multiple benefits of providing an appropriate level of expertise that would be combined with an in-depth knowledge of the country priorities at a lower cost to the programme owing to the absence of much of the cost associated with internationally recruited staff.

II. THE UNDP SECTORAL SUPPORT

9. Taking into consideration the problems and difficulties in mobilizing and securing the required financial resources, the UNDP sectoral support programme remains an important source of funds for the UCD programme. Funding from the sectoral support allocation is expected to continue for the remainder of the fifth cycle. As confirmed by the UNDP Governing Council in its decision 93/6, a level of expenditures of up to $10.2 million was authorized for the UCD programme for the years 1992 and 1993 from the total of $19 million earmarked under sectoral support funds for the fifth programming cycle. Thus UNIDO expects to receive an amount of approximately $2.9 million for each of the years 1994 through 1996 (cf. IDB.11/7-PBC.9/9, paras. 20-21).

10. Both the Committee and the Board invited the Governing Council of UNDP at its forty-first session in 1994 to continue the financial support to the UCD programme in view of the importance attached by the developing countries to that programme. The regular session of the Executive Board of UNDP/United Nations Population Fund held from 15 to 18 February 1994 did not discuss the UNDP support to the UCD programme but agreed to include the "review of the sectoral support programme" in the agenda of its third regular session scheduled to be held in the third quarter of 1994. Prior to that session UNIDO will discuss with UNDP the most appropriate financing arrangements; a review of the Memorandum of Understanding signed in 1989 between UNIDO and UNDP on the UCD programme will also take place on that occasion.

III. PROGRAMME FRAMEWORK FOR FIELD REPRESENTATION

11. In response to Programme and Budget Committee conclusion 93/9, paragraph (i), and Board decision IDB.11/Dec.29, paragraph (e), the Secretariat of UNIDO undertook, through an internal task force, a review of the key issues involved in the scope, nature and financing of UNIDO field representation. Based on the findings of the task force, a proposal has been prepared that:

(a) Examines various aspects of decentralization of UNIDO field offices in accordance with the recommendations of United Nations General Assembly resolution 47/199 on the operational activities of the United Nations system;

(b) Assesses the possibilities and constraints of establishing subregional offices as proposed in paragraph 31 of document IDB.11/7-PBC.9/9;

(c) Makes appropriate proposals for strengthening and networking the existing field offices and the Junior Professional Officer programme with a view to increasing the UNIDO service capacity at the field level;

(d) Makes specific suggestions regarding the role of UCDs and the structure of UNIDO field offices in view of the new arrangements for a unified field representation of the United Nations system as stipulated in United Nations General Assembly resolution 47/199;

(e) Provides detailed recommendations related to redeployment of headquarters staff and recruitment of national professional staff to fill the required UCD posts and other international staff in the UCD offices;

(f) Proposes alternative modalities for financing the UCD programme, including self-financing trust fund and third-party trust fund arrangements as well as provision of local support costs of the UCD offices by the countries concerned.

12. As suggested in paragraph 28 of document PBC.9/9 and subsequently requested by the Programme and Budget Committee, the proposed programme framework for field representation will be used as a basis for negotiating extrabudgetary resources for the UCD programme.

IV. FINANCING OF LOCAL COSTS

13. Only one Government (Uzbekistan) has agreed so far to finance, for two years, the entire cost of the UCD post and office from its IPF resources. Another Government, although from a least developed country (Uganda), financed on an ad hoc basis the entire local costs of the UCD office up to $95,000 from its own IPF allocated to UNIDO-executed projects. However, upon the full establishment of the UCD office in that country, the local costs are being borne by UNIDO. The possibility of appointing a national director is under consideration.

14. UNIDO is currently discussing with other Governments the possibility of IPF financing of the UCD posts and/or local support costs of the UCD offices in their countries. However, owing to the declining availability of IPF resources, it would be difficult for them to allocate such

resources for those purposes. This situation applies particularly to the European countries in transition with low levels of IPF resources. Therefore, it might be unrealistic to assume that the model of Uzbekistan would be easily applied elsewhere in developing countries or in other European economies in transition.

15. The local costs for a model UCD office are estimated to be some $80,000 per annum. The expenditure items generally foreseen include:

- Local support staff salaries (secretarial/ driver);
- Rental and maintenance of premises;
- Rental and maintenance of equipment;
- Supplies and equipment (including vehicle);
- Communications;
- Local travel;
- Miscellaneous services.

16. The actual costs of a local office are determined by local conditions and costs, and it must thus be emphasized that local costs vary widely between countries. The estimated cost of $80,000 per annum represents an average of present UCD offices.

V. ACTION REQUIRED OF THE COMMITTEE

17. The Programme and Budget Committee may wish to take note of this report and make its recommendations to the Industrial Development Board on the subject.